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### 3) OPINION

Poll: Abe cabinet's support rate spirals down to 51%

NIHON KEIZAI (Page 1) (Abridged)  
December 25, 2006

The approval rating for Prime Minister Shinzo Abe and his cabinet dropped to 51% in a recent public opinion survey conducted by the Nihon Keizai Shimbun on Dec. 22-24, down 8 percentage points from a previous survey taken in late November. Meanwhile, the disapproval rating for the Abe cabinet was 40%, up 11 points. In the survey, respondents were also asked whether they appreciated the Abe cabinet's performance over the past three months since coming into office. In response to this question, 57% answered "no," with 29% saying "yes." As seen from these figures, the proportion of negative

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answers outdistanced that of affirmative answers. Such results can be taken as reflecting his ruling Liberal Democratic Party's recent reinstatement of its postal rebels who voted against the LDP-led government's now-enacted postal privatization package in the Diet and were ousted from the LDP and also reflecting Government Tax Commissioner Masaaki Honma's resignation over his inappropriate renting of a government apartment for public servants.

The survey was taken after the government compiled its budget for fiscal 2007. The Abe cabinet first marked 71% upon its inauguration in late September but kept going down after that. In the latest survey, the Abe cabinet's approval and disapproval ratings almost paralleled those for the Koizumi cabinet in the final survey taken for it in August (50% approval and 40% disapproval ratings). Among LDP supporters, the Abe cabinet's support rate was 79%, down 6 points from the last survey. Among those who support the leading opposition Democratic Party of Japan (Minshuto), the Abe cabinet's support rate was 20%, down 10 points. Among those with no particular party affiliation as well, it dropped 10 points to 26%.

The survey was taken by Nikkei Research Inc. over the telephone on a random digit dialing (RDD) basis. For the survey, samples were chosen from among men and women aged 20 and over across the nation. A total of 1,634 households with one or more voters were sampled, and answers were obtained from 947 persons (58.0%).

### 4) Poll: 48% for raising consumption tax, down 6 points from August

NIHON KEIZAI (Page 2) (Full)  
December 26, 2006

The proportion of those in favor of raising the consumption tax rate was 48% in a Nihon Keizai Shimbun poll taken Dec. 22-24, down 6 percentage points from this August's poll that asked a similar question.

In the latest survey, respondents were asked what to do about the consumption tax. In response to this question, 30% insisted on sustaining the consumption tax at its current rate, up 6 points. Meanwhile, the proportion of those insisting on abolishing the consumption tax also rose 2 points to 11%. As seen from these figures, the survey this time shows an increase in the number of those taking a severe view of raising the consumption tax.

In the breakdown of reasons given by those in favor of raising the consumption tax, 13% said it would be unavoidable for fiscal reconstruction, down 6 points. Among other reasons, 35% said it would be unavoidable if the consumption tax were to be raised for pension resources or other similar fund-raising purposes only.

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5) Internal government document concludes that it would take Japan over three years to make a prototype model nuclear warhead at cost of 200-300 billion yen

SANKEI (Top play) (Excerpts)  
December 25, 2006

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This newspaper has learned from an internal Japanese government document acquired on Dec. 24 that "it would take three to five years at least for Japan to build a prototype-model miniaturized nuclear warhead." According to the document, titled, "On the possibility of a domestically-built nuclear weapon," although Japan has a plant that can enrich uranium and the technology and facilities to reprocess spent nuclear fuel used in power plants, it cannot directly switch to producing nuclear weapons due to the technological constraints. Although North Korea's nuclear weapon test set off calls in some circles in Japan for a review of the three no-nuclear weapons principles and a debate over whether Japan should possess its own nuclear arms, the report recognized the reality that even if Japan should have the intention of producing its own nuclear weapons, it would undoubtedly have to start from scratch in developing such.

The internal government document was secretly drafted on Sept. 20, 2006, prior to North Korea's nuclear test on Oct. 9. An expert at a government agency researched and compiled the report. The expert concluded that it would require over three years until a prototype miniaturized nuclear warhead could be produced, and that it would cost between 200 billion and 300 billion yen. So even if Japan declared that it intended to possess nuclear arms, it could not immediately produce on its own a deterrence to the nuclear threat posed by North Korea.

There are two types of materials used in making nuclear weapons: enriched uranium, which went into making the atom bomb that was dropped on Hiroshima, and plutonium, which was used to make the bomb dropped on Nagasaki. Japan has a nuclear fuel recycling facility at Rokkasho Village in Aomori Prefecture and a factory in Ibaraki Prefecture for reprocessing spent nuclear fuel and uranium enrichment. But such facilities are all for light-water reactor use and inappropriate for making material for use in nuclear weapons.

6) Government-local government consultations on Futenma relocation: JDA searching for way to break deadlock by proposing shortening the construction period (of proposed alternate runway) by three years, with completion possible in 2011

NIHON KEIZAI (Page 2) (Excerpt)  
December 26, 2006

The government resumed after a four-month hiatus consultations with Okinawa Prefecture and local governments affected by the relocation of the US forces' Futenma Air Station -- the main element in the realignment of US forces in Japan. Defense Agency (JDA) Director General Fumio Kyuma announced that he was thinking about speeding up the timetable for transferring the facilities of that base to Nago City. It is now set for 2014. JDA has begun studying the possibility of shortening the construction period by two to three years and to search for compromise points with Okinawa Prefecture, which is reluctant to accept the move. However, it is unclear whether the wide gulf between the government and the prefecture's assertion can be filled by this compromise proposal.

7) Government determined to settle showdown over Futenma relocation under Kantei lead, but end still nowhere in sight

ASAHI (Page 2) (Excerpts)  
December 26, 2006

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A meeting was held between representatives of the government and local communities yesterday over the relocation of the US Marine Corps' Futenma Air Station. In the meeting, both sides indicated their stance of making compromises. Defense Agency (JDA) Director General Kyuma apologized for "the current relocation plan that was agreed on between Japan and the US without considering the opinions of Okinawa Prefecture," while Okinawa Governor Nakaima praised the JDA director general's apology as a "considerate remark." The government deems cooperation by Okinawa Prefecture as indispensable, with an eye on the upcoming Japan-US Security Consultative Committee meeting (2+2) next year and the planned submission of related bills to the regular Diet session next year. The government is now determined to break the impasse under the lead of the Prime Minister's Office (Kantei). This does not mean, though, that the Okinawa government has totally agreed on the current relocation plan. The end is not yet in sight.

Prior to the meeting, Prime Minister Abe told Chief Cabinet Secretary Shiozaki: "Debate on various issues related to the planned

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US force realignment will also be conducted in the ordinary Diet session next year. (The Kantei) must properly play the coordinating role."

When representatives of both sides met in August, Shinzo Abe, who was serving as chief cabinet secretary at that time, was asked to attend it but did not. With an eye on the House of Councillors elections next year, the opposition camp might cash in on the standoff between the government and the local authorities in the ordinary Diet session next year. The government is aiming to win understanding from Okinawa government with the Kantei coming to the fore, taking advantage of the election of the new governor.

In late November, just after the Okinawa gubernatorial election, Shiozaki called in Foreign Minister Aso, Kyuma, and other relevant government officials to a Tokyo hotel, where the participants agreed to bring back economic incentives for the northern part of Okinawa, although the government had decided to scrap them. The agreement reflected the Kantei's view that the Okinawa issue might be "a risk for the government," as a senior government official said.

When Japan and the US agreed on the current Futenma relocation plan in May, the Okinawa government criticized JDA, saying that the agency put coordination with the local communities in the back seat. But the agency has kept a low profile recently. In response to a request in the meeting yesterday from Nakaima for "removing the danger that Futenma Air Station poses within three years," Kyuma said, "I am ready to call on the US to speed up the relocation schedule."

Okinawa government has set forth the closure of Futenma within three years as a condition for the start of talks on the construction of alternative facilities. On this matter, Nakaima also said in a press conference after the meeting that the government made a positive reply.

In the 2+2 meeting scheduled for January, Japan and the US will confirm the steady implementation of the overall plan for the realignment of the US military presence in Japan. Keeping this in mind, Kyuma also stressed that a large-scale modification of the plan would be difficult, saying, "There will be no progress unless agreement is reached among the four parties, the Japanese

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government, Okinawa prefecture, local communities, and the US."

8) Okinawa governor once again announces his opposition to coastal plan at Futenma relocation consultative meeting

MAINICHI (Page 4) (Full)  
Evening, December 25, 2006

A consultative meeting to discuss the relocation of US forces'

Futenma Air Station in Okinawa was held yesterday afternoon at the Prime Minister's Official Residence (Kantei) between the government and affected local governments. Regarding the proposed transfer of Futenma functions to the coastal part of Champ Schwab in Nago City, Okinawa (coastal plan), Okinawa Governor Hirokazu Nakaima once again expressed his opposition, stating, "At the present moment, I cannot agree with the plan." He then asked that consideration be given to such measures as dispersing training sites elsewhere and shifting to a temporary heliport, saying, "We want the government to come up with measures that will virtually close Futenma Air Station within three years in order to remove any potential danger."

Defense Agency Director General Akio Kyuma on the government side responded, "I want to study what methods are our disposal. I will also work on the US on this issue." This was the first consultative meeting held under the Abe cabinet.

#### 9) X-band radar: US proposes additional deployment

ASAHI (Page 1) (Abridged)  
December 26, 2006

In the wake of North Korea's missile launches in July and its nuclear test in October, the United States has told the Defense Agency that the US military and the US Department of Defense would like to deploy additional "X-band radar" units in Japan, sources have revealed. The X-band radar—an early warning radar system intended to intercept intercontinental ballistic missiles (ICBM) targeted at the United States—has been installed at the Air Self-Defense Force's Shariki Detachment base in Aomori Prefecture under a final agreement reached between Japan and the United States in May on the planned realignment of US forces in Japan. The US proposal can be taken as indicating a sense of crisis for the United States, which wants to step up its watch on North Korean missiles. The Defense Agency is checking into whether it is possible to accept the proposed deployment of additional X-band units.

The US proposal, which was made in mid-November, is intended to intensify US Forces Japan's watch to keep tabs on North Korea's Taepodong 2, a long-range ballistic missile that is highly likely to cover the US mainland. This shows that the X-band radar's deployment in Japan is aimed primarily at defending the US mainland, one says. According to the Japan-US Security Treaty, however, Japan is to provide USFJ with facilities (and areas) "for the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East." The first time the X-band radar was introduced at the Shariki base, questions were raised about its consistency with the security pact. This time, similar questions will likely be voiced again over the X-band radar's additional deployment in Japan.

According to US military sources, the additionally planned X-band radar is to watch out for US-bound ballistic missiles from a

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Taepodong-2 launch facility located at Musudan-ri, a remote village on the northeast coast of North Korea. In addition, it is reportedly aimed to step up the US military's readiness to watch and track ballistic missiles launched at US forces in South Korea and the US Kadena Air Base in Okinawa Prefecture.

The X-band radar emits strong radio waves, so its deployment location is required to meet some conditions. For instance, it must be a coastal area that is on the Sea of Japan side and is free from interference from radio waves. In addition, it is required to be a facility of the Self-Defense Forces, where radar equipment can be trucked. In the case of anticipating the path of a ballistic missile targeted at Kadena Air Base, the X-band radar is likely to be installed at SDF bases along the Kyushu-Chugoku coastline on the Sea of Japan side.

#### 10) Japan, US sign official note to exchange geographical data

TOKYO SHIMBUN (Page 2) (Slightly abridged)  
December 23, 2006

The Foreign Ministry announced yesterday that Japan and the United States signed an official note for the two countries to provide geographical data across the world to the other side. Foreign Minister Taro Aso and US Deputy Chief of Mission Joseph Donovan signed the note yesterday.

The ministry explained, "The note specifies a framework for cooperation between Japan and the US in the geographical airspace information area, such as maps, marine charts, and joint research activities." But the US is expected to provide Japan with mainly geographical information obtained from its military spy satellites. The purpose of this agreement is likely to be to share intelligence regarding military moves by North Korea and China, focusing on North Korea's recent nuclear test and missile launches, as well as on the Chinese Navy's advance into the Pacific Ocean.

According to the Defense Agency, geographical airspace information includes wide-ranging areas, such as recent measuring data, the names of places, and routes.

11) Aso, Li agree to continue working together on keeping framework of six-party talks

YOMIURI (Page 2) (Full)  
December 26, 2006

Foreign Minister Taro Aso held yesterday telephone talks with his Chinese counterpart Li Zhaoxing for about 30 minutes. Referring in it to the fact that no progress was made in the six-party talks on the North Korean nuclear programs, Aso criticized North Korea, saying:

"North Korea should change its stance of bringing up the US financial sanctions on it, refusing our proposal to launch discussion on the implementation of a joint statement (that would call on it to abandon its nuclear programs)."

Aso and Li agreed to continue efforts to promote progress in the six-party talks so that the Korean Peninsula would be denuclearized as soon as possible.

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Vice Foreign Minister Yachi: Pressure on North Korea needed

Referring at a press conference to the six-party talks having wrapped up with no progress, Administrative Vice Foreign Minister Shotaro Yachi expressed the perception that sanctions against North Korea should be strengthened. He stated: "I think we should step up pressure on the North, while keeping the door for a dialogue open, based on our basic dialogue-and-pressure policy."

12) Government conveys to Iran its decision to impose sanctions against it

NIHON KEIZAI (Page 2) (Full)  
December 26, 2006

Following the adoption of a sanctions resolution against Iran by the United Nations Security Council (UNSC), the government yesterday decided to impose financial sanctions on that nation for its uranium enrichment activities and an embargo on trade in goods and technologies starting next January, and it then conveyed its decision to Tehran. The key element of the financial sanctions is freezing financial assets of 10 organizations and 12 individuals mentioned in the resolution.

Foreign Minister Taro Aso yesterday evening telephoned his Iranian counterpart Foreign Minister Motaki and conveyed Japan's decision to take sanctions measures in compliance with the UN resolution. He told Motaki that Iran should suspend all its uranium enrichment activities and return to the framework of talks. However, Motaki rejected the call, noting, "The US resolution is illegal. Iran will not backtrack on its right to peaceful use of nuclear power."

13) Yasukuni Shrine to newly display data showing US intention of

starting war

SANKEI (Page 2) (Full)  
December 26, 2006

Yasukuni Shrine has decided to change displays at its exhibit hall, Yushukan, in response to criticism from the United States, starting next January. The shrine will delete the expression that President Roosevelt prompted Japan to open hostilities with the aim of revitalizing the US economy, but the diaries of Henry Stimson will be newly displayed. The diaries show that the US had the intention of starting a war with Japan. As it stands, the shrine's policy of demonstrating Japan's position will remain unchanged.

The panel titled "Roosevelt's grand strategy" will be modified most significantly. The exhibit is attached with this explanation: "The only way left for Roosevelt was to urge Japan, which had few natural resources, to open hostilities by pressing it into a corner with the embargo. Owing to the war, the US economy completely recovered." This expression will be removed and will be totally rewritten.

US Ambassador to Japan Thomas Schieffer, former Deputy Secretary of State Armitage, and House Foreign Affairs Committee Chairman Henry Hyde lashed out at this expression. Criticism was also erupting even from domestic conservative intellectuals, with one claiming, "It is inaccurate to focus only on economic reasons."

Meanwhile, Yasukuni will newly exhibit the "Four Hull Principles," the "Hull Note," the "Diaries of Stimson" both in English and

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Japanese, as well as the Imperial Order to Start War in English. These historical data show that the US had an intention of engaging in warfare by prompting Japan to start war.

14) Ruling coalition requests opening regular Diet session on Jan. 25 in order to avoid setting day for Upper House election during three-day holiday period

ASAHI (Page 4)(Full)  
December 26, 2006

The Diet affairs committee chairmen of the ruling Liberal Democratic Party (LDP) and its coalition partner New Komeito yesterday called on Chief Cabinet Secretary Yasuhisa Shiozaki at the Prime Minister's Official Residence (Kantei) to ask the government to convene the next regular Diet session on Jan. 25. Although Shiozaki told them that Prime Minister Shinzo Abe would make a final decision on the matter, the government will likely accept the ruling coalition's request. The LDP initially looked for the possibility of opening the regular session on Jan. 19, but it changed the date since the New Komeito insisted that they must not give the public the impression that they set the schedule to lower the turnout for the next House of Councillors election.

If the session convenes on Jan. 25, it will run for 150 days until June 23. The Public Office Election Law states that an Upper House election should be conducted during the period that starts 24 days after the close of a Diet session and ends 30 days after the session. If the session is not extended, the official campaign for the Upper House election would start on July 5 and the election day would be on July 22.

If the regular session convenes on Jan. 19 as the LDP initially planned, the election day would be July 15, which would be in the middle of the three-day holiday period. Opposition parties sought to check the ruling camp, arguing, "The ruling parties plan to use New Komeito's organized votes by lowering the turnout for the election." In part to avoid such criticism, New Komeito was reluctant to convene the session on Jan. 19.

Some lawmakers in the ruling parties were concerned that there would not be enough time to prepare Prime Minister Shinzo Abe's Diet policy speech, since he plans to make an overseas trip in mid-January if the session is convened on Jan. 19. A senior New Komeito member said: "We want the prime minister to throw a hard

fast ball. For that end, he needs sufficient time for preparation."

15) Deregulatory Council: Final report largely retreats, fails scrap obligation to set up education boards

ASAHI (Page 2) (Excerpts)  
December 26, 2006

The government's Regulatory Reform and Privatization Promotion Council, chaired by Takao Kusakari, chairman of Nippon Yusen, submitted a final report to Prime Minister Abe. The report did not include a proposal for scrapping the obligation to establish education boards, which the panel proposed in its interim report issued in July. The report also left out a proposal for limiting trade unions' right to bargain collectively, which was in the draft mapped out early this month. For the panel, contents of the final report have thus retreated. Prime Minister Abe advocates promotion

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of regulatory reform. He at the same time attaches importance to discipline. This equivocal stance of the prime minister appears to have had a delicate impact on the report.

This is the last report for the panel, which is to go out of existence at the end of March next year. Also included in the final report are revising working hour legislation, such as white-collar exemption, under which some white-collar workers will be exempt from the working hour regulation and the right to receive overtime payments, scrapping the rule obliging companies to give employment offers directly to temporary workers dispatched to them, implementing a teacher performance evaluation system and releasing results, studying and looking into the possibility of adopting an education voucher system and making sure that parents are familiarized with a school option system that allows children to go to schools outside their school zones to avoid bullying.

In the meantime, many proposals have been removed from the draft. The final report postponed the inclusion of a timeline for reaching a conclusion on the adoption of the education voucher system. A proposal for considering limiting the right to bargain to labor unions to those that have more than 10% of employees as members has been eliminated due to opposition from the Ministry of Health, Labor and Welfare.

In particular, the panel's interim report, issued in July, called for scrapping the education board system with the aim of transferring the authority of the education board to the heads of municipalities. However, following a series of cases in which schoolchildren killed themselves due to bullying and many high schools did not teach subjects set under the curriculum, Abe stressed that education boards should be responsible for education in local regions. An increasing number of government officials called for strengthening the authority and functions of the education boards.

The draft final report revealed early this month employed the restrained wording: "Drastic reform should be carried out on the mechanism of educational administration and the education system." However, the final report has retreated to the same wording as employed in the basic policy guidelines on economic and fiscal management and structural reforms for the fiscal 2006 national budget adopted at a cabinet meeting this July.

DONOVAN